AGRICULTURE APPROPRIATIONS/Limitation on Sugar Nonrecourse Loans

SUBJECT: **Agriculture, Rural Development, and Related Agencies Appropriations Bill for fiscal year 1997 . . . H.R. 3603. Cochran motion to table the Gregg amendment No. 4959.**

ACTION: MOTION TO TABLE AGREED TO, 63-35

SYNOPSIS: As reported, H.R. 3603, the Agriculture, Rural Development, and Related Agencies Appropriations Bill for fiscal year 1997, will appropriate $54.3 billion in new budget authority, 76 percent of which will be for mandatory spending programs and 76 percent of which will be for food welfare programs (both mandatory and discretionary).

The Gregg amendment would prohibit using funds from this Act to give a loan to a processor of sugarcane or sugar beets, or both, who had an annual revenue that exceeded $10 million, unless the terms of the loan required the processor to repay the full amount of the loan plus interest.

Following debate, Senator Cochran moved to table the Gregg amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

The sugar program is needed to stabilize wild world market fluctuations in the price of sugar in order to benefit both producers and consumers. A distinctive feature of sugar production is that it is extremely capital intensive. The cost of building a sugar refinery is huge, especially for processing sugar cane. To stay in business, a steady stream of sugar must be available for processing. For sugar cane growers and beet growers, their crops are virtually worthless unless they are quickly refined into sugar. Farmers will not plant unless they know they have a refiner. These facts make the sugar industry very susceptible to predatory pricing by foreign competitors. Most sugar that is sold in the world is sold under long-term contracts. Purchasers know they are going to need set amounts of sugar and they want it at a guaranteed price. In America, the average cost of sugar is 22 cents per pound, which is 28 percent less than the average price in the world's developed countries. It is also true that it is much more than the current dumping

(See other side)

YEAS (63)				NAYS (35)		NOT VOTING (2)	
Republican (32 or 62%)		Democrats (31 or 67%)		Republicans (20 or 38%)	Democrats (15 or 33%)	Republicans (1)	Democrats (1)
Abraham	Helms	Akaka	Heflin	Ashcroft	Biden	Kassebaum-4	Inouye-2AY
Bennett	Hutchison	Baucus	Hollings	Chafee	Bradley		
Bond	Inhofe	Bingaman	Johnston	Coats	Byrd		
Brown	Jeffords	Boxer	Kerrey	Cohen	Feingold		
Burns	Kempthorne	Breaux	Leahy	D'Amato	Feinstein		
Campbell	Lott	Bryan	Levin	DeWine	Glenn		
Cochran	Mack	Bumpers	Lieberman	Domenici	Kennedy		
Coverdell	McConnell	Conrad	Moseley-Braun	Frist	Kerry		
Craig	Murkowski	Daschle	Murray	Gorton	Kohl		
Faircloth	Pressler	Dodd	Pryor	Gregg	Lautenberg		
Frahm	Shelby	Dorgan	Reid	Kyl	Mikulski		
Gramm	Simpson	Exon	Robb	Lugar	Moynihan		
Grams	Stevens	Ford	Rockefeller	McCain	Nunn		
Grassley	Thomas	Graham	Simon	Nickles	Pell		
Hatch	Thurmond	Harkin	Wellstone	Roth	Sarbanes		
Hatfield	Warner		Wyden	Santorum			
				Smith			
				Snowe			
				Specter			
				Thompson			

EXPLANATION OF ABSENCE:
1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

price of 10 cents per pound. When there is a surplus in sugar production the price for sugar that has not been sold under long-term contracts drops precipitously. That sugar, much of which is produced under near-slave labor conditions and with heavy government subsidies, would severely damage the domestic industry if it were allowed in the United States. Our domestic producers are very competitive; they produce at one-third less than the cost of the world rate, but if temporary world surpluses were allowed to be sold here, they would lose their market temporarily. Refineries would then have to close, and those closures would likely be permanent because of the huge start-up costs in opening a refinery. In the short term, Americans would benefit, but in subsequent years, when there were world shortages of sugar, they would have to pay much higher rates, and even in surplus years they would have to pay more because most of their sugar would have been bought on long-term contracts at higher world market prices. In a perfect world without unfair foreign competition, the sugar program would not be needed to protect the United States sugar industry. Under the General Agreement on Tariffs and Trade (GATT), countries around the world will gradually be required to stop current unfair trade practices on sugar, and as they do the United States will lessen its support for the sugar program.

With this background, we turn to the Gregg amendment. This amendment would forbid nonrecourse loans from going to refiners with annual revenues in excess of $10 million. We inform our colleagues that every refiner in America has annual revenues in excess of $10 million. This amendment is not an amendment that is aimed at rich farmers, as its proponents claim; it is aimed at every beet and sugar cane farmer in America because every farmer must sell their crops to refiners for those crops to have any value, and every refiner is affected by this amendment. Virtually every crop in America has a nonrecourse loan program. Under this amendment, though, sugar refiners would not be allowed to use sugar as collateral. Without that collateral their costs of borrowing would go up. These costs would go up even though farmers, and refiners, have already planted their crops for this year. We should not make such a major change in the sugar program so soon after enacting the reforms in the Farm Bill. We urge our colleagues to table the Gregg amendment.

Those opposing the motion to table contended:

The sugar program, as it is basically structured today, is a Marxist economic program. The Government sets the price for sugar by restricting the amount that enters the marketplace and then gives "loans" to domestic sugar refiners that are under that price. The Government restricts the amount of sugar sold by restricting imports (until recently, it also was allowed to restrict supply by issuing "allotments" for domestic production). If, by rare chance, the Government fails to keep the price of sugar artificially high, and the producers to whom it gave loans find that they are unable to sell their sugar at rates high enough to repay their Government loans, the Government will instead take their sugar as payment. Such loans are termed "nonrecourse" loans. The result of this price-fixing by the Federal Government is that the American consumers pay $1.4 billion more per year for sugar. The prime beneficiaries are approximately 70 sugar growers. The Department of Agriculture gives nonrecourse loans of 18 cents per pound for sugar. In order to lessen the chance that it will have to accept sugar as a loan repayment, it restricts the supply of imported sugar enough to drive up the market price in the United States to 23 cents per pound, which is 10 cents higher than the world market price. Historically, nearly half of the United States' sugar has been imported, but that number is now less than 20 percent largely because of import restrictions. The Government also imposes a tax on sugar producers to cover costs just in case it ends up getting sugar that it cannot sell for enough money to cover the costs of its nonrecourse sugar loans. This price-fixing scheme thus ends up with larger profits for sugar refiners, larger profits for sugar producers, no net cost for the Government, and a $1.4 billion net increase in costs for Americans when they buy sugar.

As bad as we believe the sugar program is, we have not proposed eliminating it with the Gregg amendment. We have had that battle already this year and have lost (see vote No. 16). Instead, we have proposed a very minor limitation. For producers who sell more than $10 million worth of sugar in a year, only recourse loans (loans which have to be paid in cash) would be given. Smaller refineries would not be affected; in fact, neither really should any large refineries be affected if this program is truly a no-cost program. If the Federal Government does not lose money when it takes sugar as repayment for a loan and sells it, then there is really no reason that the sugar refiner cannot instead sell the sugar itself and repay the loan in cash. As our colleagues have stated, in the past couple of years there have been only a few instances of loans being repaid with sugar, and in those cases the Federal Government was able to sell that sugar at a profit.

It is bad enough that the Federal Government is intervening in the marketplace to raise the price of sugar by restricting supply. The Government should not also guarantee that they will essentially buy sugar for more than it is worth if it fails to force the price of sugar as high as sugar producers would like it to be. If the Government gives a loan to a sugar producer, it should get paid back in cash, not in sugar that is worth less than the loan. The Gregg amendment would not eliminate this horrible price-fixing scheme that is costing Americans $1.4 billion per year; it would only get rid of nonrecourse sugar loans. We urge our colleagues not to table this amendment.